



City of Covina

Existing Business Working Capital Assistance Program

Program Description & Guideline

Executive Summary:

This Program is designed to provide financial assistance to existing local businesses that have been negatively impacted by the COVID-19 pandemic.

Funding Background:

On March 11, 2021, President Biden signed into law The American Rescue Plan of 2021 (ARPA). Included in this bill is \$130.2 billion for local governments to provide area-specific assistance to respond to and mitigate the negative effects of the COVID-19 Pandemic on their communities. Of this, the City of Covina will receive approximately \$11,351,049 in total, of which \$5,675,000 has been received thus far.

On July 6, 2021, the Covina City Council adopted Resolution CC 2021-99, accepting the ARPA funding allotment and appropriating the first tranche of funds towards a wide range of local programs & services, including grant programs to support households and businesses.

Program Purpose & Description:

The Covina City Council approved the Business Working Capital Assistance Program as one of the proposed programs for the ARPA funding. Due to the safer at home emergency public health order in response to the Coronavirus pandemic, many non-essential local businesses have experienced a negative economic impact. In the State of California, as of June 2021, total small business revenue decreased by 43.4% compared to January 2020.¹ The City is committed to

¹*Change in net business revenue for small businesses, indexed to January 4-31 2000 and seasonally adjusted. This series is based on data from Womply. Retrieved from source: Opportunity insights from tracktherecovery.org.

continuing to provide assistance to local businesses that have been impacted by COVID-19 by providing working capital assistance for existing businesses.

The purpose of this program is to allow for local businesses to expand business operations and/or revitalize an existing business. Qualifying business can use funds for business operations and improvements in response to the COVID-19 pandemic. This funding will not cover employee payroll. There is \$200,000 available in grant funding, with a maximum of \$25,000 allotted per business. It is estimated that eight businesses will be served through this program. Funding will be provided in the form of a reimbursable grant. In certain cases, payment exceptions can be made depending on the individual business need and financial stability, and will be determined by City Staff.

The business will need to create a priority list of what projects they are requesting to use the funds for, and provide a cost estimate for each line item. The City will review applications for eligibility. Depending on program popularity, a lottery may be held to determine which businesses will move forward. Eligible businesses will then complete a full application and subsequent grant agreement, and work with the City if necessary to decide on which requested items will be funded. This will be based on funding availability, and eligibility of proposed expenses. It is possible, depending on the funding request(s), that funds will not be available for all capital expenses requested. Be aware that costs incurred before documents are signed are not eligible for reimbursement under the program. After the grant agreement has been fully executed, the business will have up to **3 months** to submit proof of eligible expenditures and provide all required documents. Eligible expenditures will require three (3) formal written estimates/proposals for all purchases (Include Davis-Bacon wage rates, if applicable) along with proof of expenditures. If documentation of expenditures is not provided within this time period, application and request for funds will not be considered complete and not considered for funding.

Eligible businesses will need to demonstrate a financial loss due to COVID-19, by certifying that revenue has declined by 25% or more since the start of the pandemic in March 2020. Only one (1) application per business will be considered. Owners of multiple businesses may only submit one (1) application for one (1) of their business located within the City. Businesses must have a commercial storefront, and must have employees. Persons who are independent contractors are not eligible for this program.

Please keep in mind that City Staff cannot give tax advice. Therefore, in order to determine if all or part of the grant is taxable please consult your tax advisor.

General Program Eligibility Criteria:

- Eligible businesses can use funds for business capital as listed but are not limited to:

- Payment of outstanding business expenses
 - CUP application
 - Expand patio area
 - Physical non-construction store improvements
 - Machinery, equipment, furniture and fixtures
 - Permit fees
- Eligible Business Types include but are not limited to:
 - Restaurants, coffee shops, bakeries, cafés, gastropubs, etc.
 - Salons, barbers, and other grooming businesses
 - Gyms, day spas, and fitness studios
 - Retail and Commercial stores (such as consumer goods, electronics and appliances, health and sporting goods, furniture, clothing and shoes, kitchen equipment, books and entertainment stores, music and audio/visual equipment, etc.)
 - Franchisee owned restaurants
 - For-profit businesses that have been negatively impacted by the Covid-19 pandemic and will make their best effort to continue to establish their business operations and employee base.
 - Businesses considered to be “nonessential” in the Covid-19 crisis and businesses which provide personal services.
 - Must have or obtain a DUNS number
- Eligible business will need to provide proof that business was in operation in the City of Covina by June 30, 2020.
- Eligible businesses will need to provide copy of their active business license in the City of Covina.
- Eligible business must not have any unresolved code violations.
- The business must not be delinquent on any existing debt obligations to the U.S government (no past defaults).
- Business must meet all State and local building and zoning codes.
- Building must directly front/face a public right-of-way.
- The business must submit a statement explaining/identifying the negative economic impact the business endured during the COVID-19 pandemic period including information about closure and reduction in revenue.
- The business must provide documentation to verify financial impact the on business as a result of the Covid-19, which includes but is not limited to the following:
 - a. 2020 and 2021 business tax returns of applicant(s) or Form 990s

- b. Last two (2) months of business and personal bank statements
 - c. Fiscal year-end business financial statements within 60 days of the application date: Cash Flow, Profit & Loss Statement, Balance Sheet, Statement of Changes in Equity
 - d. Copies of DE9 and DE9C filed with the State of California for the quarter ending October 1, 2021 or January 1, 2022, whichever is more recent.
 - e. Gross receipts and other financial data.
- The business will provide a copy of their current lease agreement/mortgage statement for the commercial space their business occupies.
 - The business will need to provide a W-9 and CA 590 form, and be willing to accept payment from the City.
 - The business must provide copies of their official filing with the California Secretary of State, if applicable, or local municipality for the business such as one of the following: Articles of Incorporation, Certificate of Organization, Fictitious Name of Registration or Government-Issued Business License.
 - All business owners with a 20% or greater ownership will need to submit a copy of an acceptable form of government issued identification.
 - Business will need to provide proof of insurance.
 - The business will need to provide a business plan that includes a budget, initial start-up costs, fixed costs, variable costs, and critical/optional expenses, and profit margins. Please refer to Attachment A for Business Plan Outline.
 - Personal federal tax returns for the prior three years to include all supporting schedules and statements, for each business owner
 - Current personal financial statement for each business owner
 - Fiscal year end business financial statements for prior three years (if available)
 - Interim business financial statement within 60 days of application date
 - All business owners with a 20% or greater ownership must submit federal tax returns for the prior three years to include all supporting schedules and statements (if available)
 - A completed application form.

Ineligible Businesses:

- Businesses not visible from the public right-of-way or publicly owned space
- Home-based businesses
- Independent contractors (i.e., consignment booths, salon chairs, etc.)
- Any national chain that is not locally franchised
- Massage parlors and bail bond services
- Corporate-owned fast-food restaurants (franchisees are eligible)

- Check cashing, bars, liquor stores, smoke/cannabis shops, firearms retailers, pawnshops
- Non-profit organizations
- Real estate salespersons
- Financial businesses primarily engaged in the business of lending, such as banks, finance companies
- Passive businesses owned by developers and landlords that do not operate an active business or occupy the assets acquired, improved, or operated with the grant proceeds (except Eligible Passive Companies under § 120.111)
- Life insurance companies
- Businesses located in a foreign country (businesses in the U.S. owned by aliens may qualify)
- Pyramid sale distribution plans. (i.e. Amway, Herbalife, Mary Kay)
- Businesses deriving more than one-third of gross annual revenue from legal gambling activities
- Businesses engaged in any illegal activity
- Private clubs and businesses which limit the number of memberships for reasons other than capacity
- Government-owned entities (except for businesses owned or controlled by a Native American tribe)
- Businesses principally engaged in teaching, instructing, counseling or indoctrinating religion or religious beliefs, whether in a religious or secular setting
- Loan packagers earning more than one-third of their gross annual revenue from packaging SBA loans
- Businesses with an Associate who is incarcerated, on probation, on parole, or has been indicted for a felony or a crime of moral turpitude
- Businesses in which the participating city or any of its Associates owns an equity interest
- Multi-national or publicly traded businesses are not eligible for this program
- Adult businesses which:
 - Present live performances of a prurient sexual nature; or
 - Derive directly or indirectly more than *de minimis* gross revenue through the sale of products or services, or the presentation of any depictions or displays, of a prurient sexual nature
- Business or owner listed on the Federal Excluded Parties List (EPLS) maintained on www.sam.gov
- Business that does not have an active business license showing the business address is located in the participating city

Monitoring:

All records must be kept for five years past the end of the compliance period.

Labor Standards:

If the project includes construction, rehabilitation and/or machinery installation Federal Labor Standards may apply. This includes the Davis-Bacon Act which requires that workers doing rehabilitation and/or installation receive no less than the prevailing wage as determined by the Act's guidelines. Also, additional regulations may apply.

Procurement/Documentation:

Supporting documentation of use of funds on eligible expenses such as rent receipts, invoices, cancelled checks showing proof of payment for eligible capital will be required to receive grant.

Time Period:

Application processing takes approximately 3 weeks from the time a completed application is received.

Application and Award Process:

Step 1.	Pre-Applications will be accepted and depending on popularity, a lottery will be held. Pre-Applications are made available and will be accepted until (day of week), July 25, 2022 at 5:00 p.m., or until 20 pre-applications have been received, whichever is first. In the lottery, the first eight names pulled will be invited to complete a full application and move forward in the evaluation process. 12 back up names will be chosen and will be contacted if any of the original eight are no longer qualified for the program.
Step 2.	You will be contacted by a City representative within 5 days of the lottery.
Step 3.	After the lottery is conducted, successful applicants will be invited to complete a full application with all documentation within two (2) weeks of notification of eligibility by the City. If application and all documentation is not completed and return to the City within (2) weeks of notification of eligibility by the City, applicant will be disqualified and the next pre-application will be reviewed. Please see page 1 of application for documents required.

Step 4.	City will begin the underwriting process. Only applications that are complete, with all the required documentation, will be reviewed and underwritten. Incomplete applications will be rejected.
Step 5.	Upon approval of your application, Program staff shall schedule an appointment with each qualified Applicant to review program and documentation requirements. Applicant will review and sign the grant agreement and all other pertinent documents.
Step 6.	Fund disbursement. The approximate processing time between a completed application (including all required documentation) and fund disbursement is 3 weeks.
Step 7.	Documentation of expenditure. Business will be required to provide documentation of how the funds were spent, within three (3) months of receipt of City grant funds. This could be provided in the form of cancelled checks, receipts, or a bank statement highlighting the uses if a debit system of payment is used. If documentation of expenditure is not provided, funds must be returned to the City.

ATTACHMENT A
Business Plan Outline

<p>1. Description of Business</p> <ul style="list-style-type: none"> • Name and location • Legal structure • Principal owners • Nature of the business • History of the business • Franchise: include Franchise Agreement with FTC Disclosure <p>2. Product or Service</p> <ul style="list-style-type: none"> • Describe product line(s) or types(s) of service • Describe materials and supply sources • Methods of production • Quality and cost of production or service <p>3. Market Information</p> <ul style="list-style-type: none"> • Market area and trends • Customers and potential new customers • Competition, names, locations and size • Advantage of your product/service over others <p>4. Advertising</p> <ul style="list-style-type: none"> • Methods of advertising and promotion • Sales methods • Pricing policy • Customer service <p>5. Facilities</p> <ul style="list-style-type: none"> • Location • Size and zoning • Age and condition • Expansion opportunities 	<p>6. Management and Personnel</p> <ul style="list-style-type: none"> • Management expertise • Key personnel (position, qualifications) • Professional services • Present and future manpower requirements • Personnel breakdown-skill levels, hours, wage rates, unionization, etc. <p>7. Benefits to the Community</p> <ul style="list-style-type: none"> • Job created/retained • Building rehabilitation • Meeting community needs • Increase community tax base <p>8. Summary of Future Plans</p> <ul style="list-style-type: none"> • Short range and long range • Expansion • Relocation • Three years of projections (first year broken down by month) <p>Note: the business plan is an important component to your loan package. It will show how well your proposal has been thought out. One paragraph for each number item is sufficient. An overall length of 2-5 pages is adequate</p>
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